



HOUSE BILL 2 SUMMARY FOR THE FREE CONFERENCE COMMITTEE

HB 2 is the general appropriations bill for state government, and includes all agency appropriations, with the exception of:

- Statutory appropriations, (e.g., State Fund, debt service, local government distributions)
- Other appropriations bills (cat-and-dog bills)
- Transfers

STATE BUDGET SUMMARY

The color graphics included in Figures 1 through 6 provide a summarization of HB 2 appropriations. The pie charts summarize HB 2 by general program area (agency/function) and by fund type. The bar graphs show the amount of increase in the 2007 biennium budget over the 2005 biennium. Funding for the 2007 biennium in the graphs is as contained in HB 2 only, and does not include other initiatives such as pay proposals and other cat-and-dog appropriation bills. It is further important to note that the bar graph comparisons are on a biennium-to-biennium basis, which is the more appropriate (statutorily required) method for comparing increases from biennium to biennium than the method used for budget development (base year only). Thus, the bar graphs should be used for comparison purposes only, and will not tie to the amount of increases reflected in the remainder of this narrative, where increases are measured from the base. As shown in the graphs:

HB 2 appropriations for the 2007 biennium through Senate Floor action total:

- \$2.6 billion general fund (page 2)
- \$7.0 billion total funds (page 3)

This HB 2 budget provides for biennial changes of:

- \$304.7 million general fund increase, or 13.3 percent (6.6 percent per year) (page 3)
(when the pay plan (HB 447) is added, the general fund biennial increase is 14.7 percent)
- \$746.2 million total funds increase, or 12.0 percent (6.0 percent per year) (page 4)

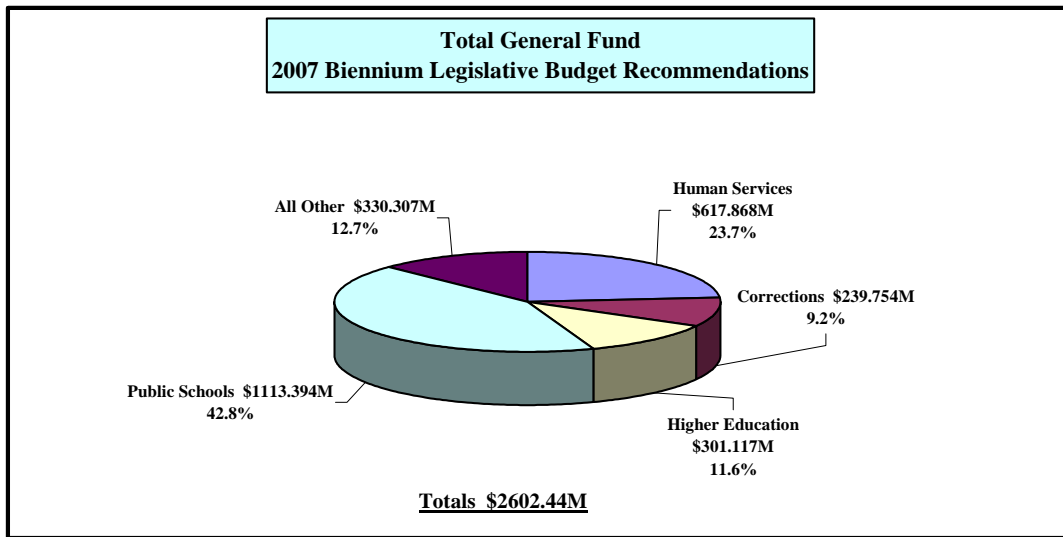
INCREASE BY GENERAL PROGRAM AREA

Figure 1 shows the amount and percent of the general fund for major categories:

Budget share:

K-12 and higher education	54.4%
Human services	23.7%
Corrections	<u>9.2%</u>
Together, these total:	87.3% (of the total HB 2 general fund budget)

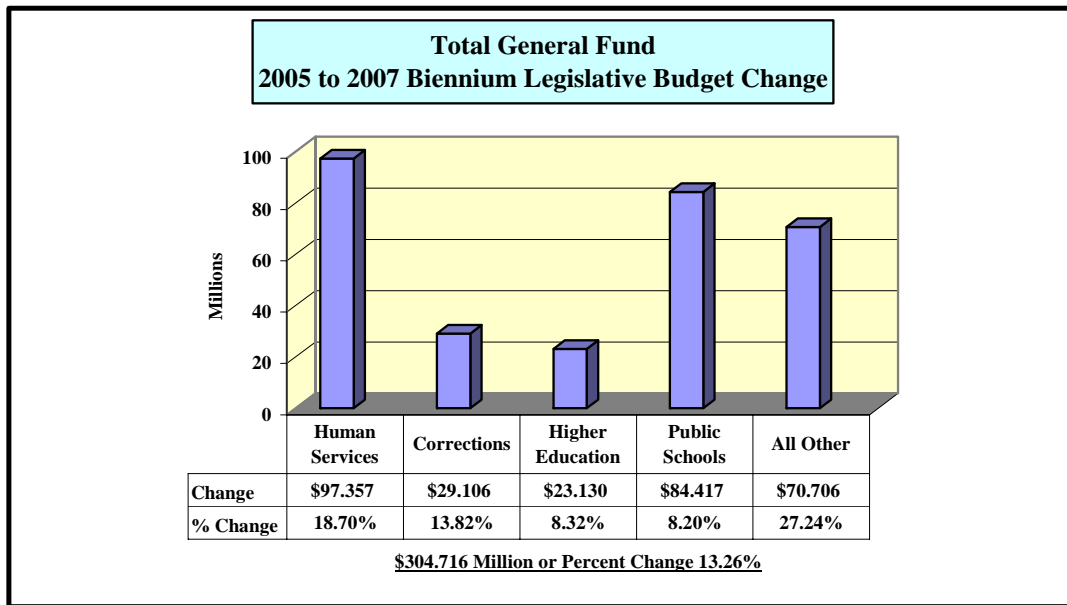
Figure 1



As illustrated in Figure 2, the general fund budget net increase of \$303.6 million is due to the following:

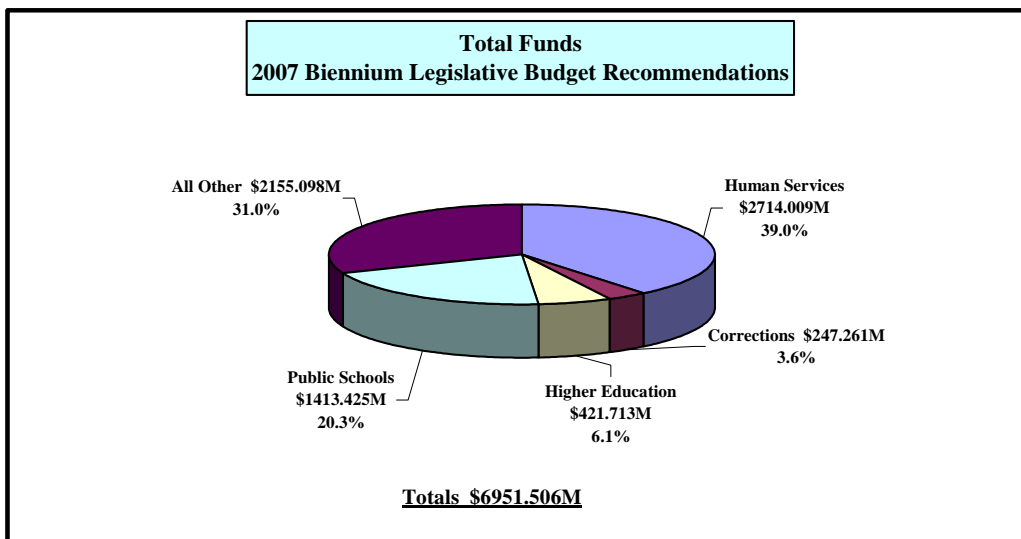
- Human services increases (\$97.4 million) due primarily to changes in the state matching rate for Medicaid, and caseload and services increases (most notably in Medicaid)
- Corrections increases (\$29.1 million) are primarily due to changes to address the growing secure care population (including expansion of facilities), as well as additional probation and parole officers, and funding for the production of new issue vehicle license plates
- Higher education increases (\$23.1 million) due to enrollment increases, additional student assistance, a higher general fund funding percentage of various programs, and several other initiatives
- Public schools increase (\$84.4 million) primarily due to increases in the BASE aid formula, the added option of three-year averaging of student counts, and increases for several other programs including special education, school facility reimbursement, and Indian Education for All
- All other increases a net of \$70.7 million, primarily due to increases for district court expenses, creation of a new Office of State Public Defender (SB 146), development of a new property tax system and replacement of POINTS, and development of an emergency telecommunications infrastructure

Figure 2



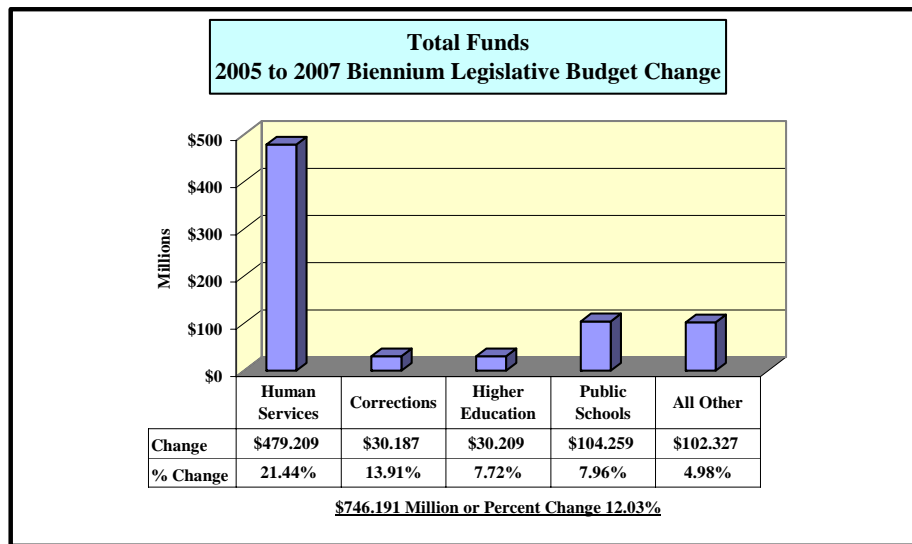
As shown in Figure 3 (Total Funds), the “All Other” and “Human Services” categories comprise a significantly higher share of the pie as compared to the general fund pie chart. This is because a large share of funding for human services, highway construction, and FWP funding is from non-general fund sources (state and federal special).

Figure 3



The significant increases in total funds shown in Figure 4 reflect additional state special and federal funding for human services programs, as well as for K-12 education and environmental functions. These increases are described in more detail in the next section.

Figure 4

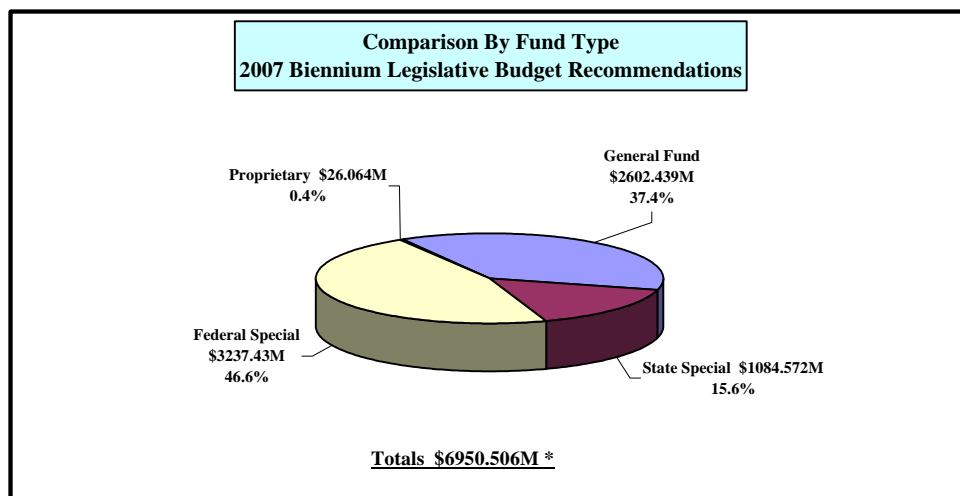


FUNDING SUMMARY

Figure 5 shows how HB 2 is funded:

General fund provides 37.4 percent and federal funds provide 46.6 percent of total HB 2 funds.

Figure 5



- Does not include capital projects or expendable trust appreciation.

Figure 6 shows the following increases in funding:

Federal funds increase \$349.6 million, or 12.1 percent (this equals 47 percent of the total HB 2 increase)

- Human services accounts for \$294.2 million, or 84 percent of the total increase, including increased caseloads and services in a number of programs, most particularly in Medicaid and food stamps, as

well as Medicaid redesign efforts, continued use of bed tax and hospital utilization fees to match federal funds, and increases in categorical grants

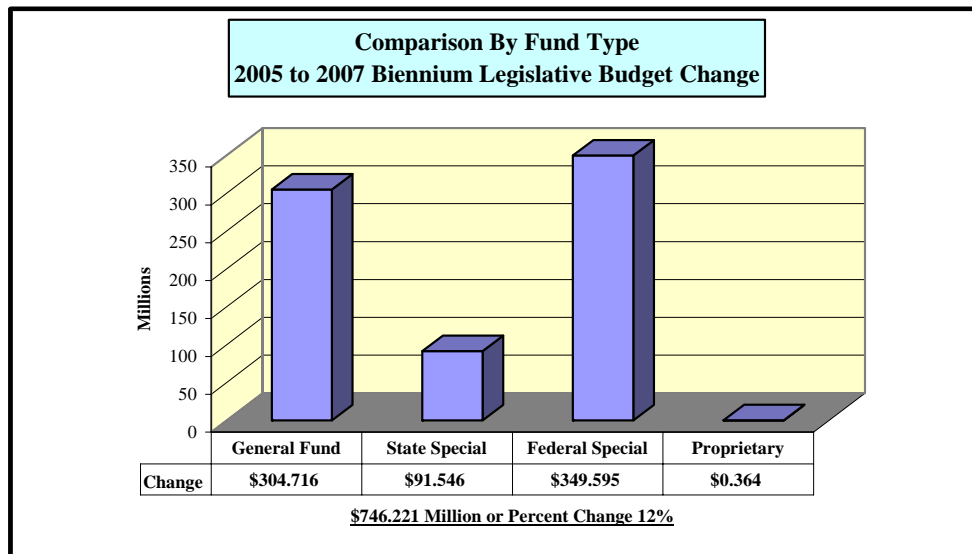
- Other major increases are due to K-12 education grants and programs, environmental and wildlife functions, and community development

State special revenue funds increase \$91.5 million, or 9.2 percent. Two human services program areas account for the increases. Changes include:

- Continuance of the bed tax and hospital utilization taxes in the Department of Public Health and Human Services (DPHHS)
- The use of I-149 (cigarette tax) funds for a variety of functions in both DPHHS and the State Auditor's Office

General fund increases \$304.7 million, or 13.3 percent, as described in the previous section.

Figure 6



COMMITTEE ACTION ON HB2

This section provides a summary of amendments approved by each full committee as HB 2 progressed through the legislative process.

Figure 7 provides a summary of general fund and state special revenue fund amendments approved on the **Senate Floor**, which reduced appropriations \$73.2 million, including a \$1.1 million increase in general fund and a \$74.3 million reduction in state special revenue funds. The majority of the change is due to elimination of \$74.7 million state special revenue funding in HB 2 for the Highway 93 construction project (The funding was moved to HB 5, the capital projects bill). Senate floor amendments are summarized in the upper block of Figure 7, and a detailed list of amendments by subcommittee action and agency is shown in the lower block.

Figure 7

Senate Floor Action - HB2 General Fund/State Special Revenue - Summary*			
	<u>Gen. Fund</u>	<u>SSR</u>	<u>Exp. Limit</u>
Transportation - Eliminate funding for Highway 93 project (moved to HB 5)		\$(74,678,295)	\$ (74,678,295)
Justice - Contingency funding for HB's 99, 192, & 782, SB's 30, 282, & 318	1,416,497	\$ 147,120	1,563,617
Transportation - remove funding for HB 757, rail branch lines		(406,467)	(406,467)
Governor's Office - Eliminate funding for Office of Substance Abuse (HB31)	(389,208)		(389,208)
DNRC, Agric., Comm, Library - Implement HB 482, coal tax shared a/c dist.		389,606	389,606
Natural Resource agency program increases		351,700	351,700
Other	82,155	(100,000)	(17,845)
Net Change in HB2 General Fund/State Spec. Rev. Appropriations*	<u>\$ 1,109,444</u>	<u>\$(74,296,336)</u>	<u>\$ (73,186,892)</u>

*A detailed list of Senate Floor amendments by agency and section is shown below.

Senate Floor Action - HB2 General Fund/State Special Revenue - By Section/Agency			
	<u>Gen. Fund</u>	<u>SSR</u>	<u>Exp. Limit</u>
Section A			
Legislative Branch - Audit Division for audits of 6 counties - SB 146	\$ 88,155		\$ 88,155
Governor's Office - Eliminate funding for Office of Substance Abuse (HB31)	(389,208)		(389,208)
Transportation - Eliminate funding for Highway 93 project (moved to HB 5)		(74,678,295)	(74,678,295)
Transportation - remove funding for HB 757, rail branch lines		(406,467)	(406,467)
Section B			0
DPHHS - Technical correction to comply with Sen. Finance action		(350,000)	(350,000)
Section C			0
DEQ - Permit fees for water quality - SB 320		101,700	101,700
DEQ - increase funds for EIS of Gallatin River - water quality fees vice RIT		100,000	100,000
DNRC - Conservation district program funds from RIT funds		150,000	150,000
DNRC - Implement HB 482, funding from coal tax shared account		105,193	105,193
Agriculture - Implement HB 482, funding from coal tax shared account		77,921	77,921
Commerce - Implement HB 482, funding from coal tax shared account		140,259	140,259
Commerce - funds HB 481, Main Street Pgm from highway funds vice g.fund	(250,000)	250,000	0
Section D			
Justice - Intervener services, water rights - HB 782		98,000	98,000
Justice - increased prisoner per diem, Highway Patrol - HB 99	1,338,185		1,338,185
Justice - Training for law enf. Officers in cultural awareness - SB 282		22,520	22,520
Justice - Criminal history information on certain offenses - SB 30	38,412		38,412
Justice - SB 318, quadricycle registration	9,184	6,122	15,306
Justice - programming updates to implement HB 192, motor vehicle legisl.	30,716	20,478	51,194
Section E			
State Library - Implement HB 482, funding from coal tax shared account		66,233	66,233
CHE - Yellow Bay Biological Station - water quality monitoring	200,000		200,000
CHE - administrative costs for new scholarship program	44,000		44,000
Net Change in HB2 General Fund/State Spec. Rev. Appropriations	<u>\$ 1,109,444</u>	<u>\$(74,296,336)</u>	<u>\$ (73,186,892)</u>
Expenditure limit adjustments:			
None			-
Net impact on expenditure limit calculation:			<u>\$ (73,186,892)</u>

Figure 8 provides a summary of general fund and state special revenue fund amendments approved in **Senate Finance Committee**, which increased appropriations nearly \$20 million, including \$8.4 million general fund and \$11.5 million state special revenue. As shown in the figure, funding for programs established in and contingent on other bills adds \$18.1 million of the total \$19.9 million increase for both funds, with numerous offsetting program increases and decreases making up the net difference. The most significant amendments were to provide funding for the Office of State Public Defender as established in SB 146 (\$6.2 million new funds), provision of funding for new issue vehicle license plates (\$4.5 million, with a revenue increase from sales), and a reduction in funding for the low-income energy assistance program (\$3.0 million). A more detailed list of Senate Finance Committee amendments by agency and section is provided on pages 15 and 16 as an addendum to the Overview section.

Figure 8

Senate Finance Committee Action - HB2			
General Fund/State Special Revenue - Summary*			
General Increases	Gen. Fund	SSR	Exp. Limit
Restore funding for new license plate issue	\$ 4,543,058		\$ 4,543,058
Labor - added staff in local workforce centers, training for small business		\$ 1,506,056	1,506,056
Revenue - backfill fixed costs from tfr of unemployment insurance function	1,398,106		1,398,106
Funds for Automated Accounting and Reporting System, gaming machines		1,065,000	1,065,000
Increase Marketing MT/Bus. Recruitment funds/other Gov. Office programs	788,668		788,668
Partially restore House reductions to the FWP general license account		678,026	678,026
Other general increases	<u>981,543</u>	<u>1,476,329</u>	<u>2,457,872</u>
Subtotal - General Increases	<u>\$ 7,711,375</u>	<u>\$ 4,725,411</u>	<u>\$ 12,436,786</u>
General Reductions			
Reduce low income energy assistance program (LIEAP) funding	(3,000,000)		(3,000,000)
Reduce funding for Governor's scholarship program by one-half	(1,530,000)		(1,530,000)
Eliminate funds for initial attack wildfire suppression	(1,200,000)		(1,200,000)
Reduce funds for workforce training	(1,200,000)		(1,200,000)
Eliminate FTE positions in Ag. Exp./Ext., Exp services, B. Mines, FSTS	(926,887)		(926,887)
Other general reductions	<u>(2,750,735)</u>	<u>(112,389)</u>	<u>(2,863,124)</u>
Subtotal - General Reductions	<u>\$ (10,607,622)</u>	<u>\$ (112,389)</u>	<u>\$ (10,720,011)</u>
Funding for programs contingent on other bills:			
Fund Office of State Public Defender - SB 146	6,209,354		6,209,354
Montana Land Information Act - SB 98		2,100,000	2,100,000
Fund switch, court automation program - HB 536	2,932,742	(2,737,421)	195,321
OPI - state retirement GTB adjustment, court decision - SB 333	2,000,000		2,000,000
Independent contractor registration - SB 108		1,605,444	1,605,444
DEQ - remedial investigation - SB 489		1,500,000	1,500,000
Voluntary genetics program, fund shift - SB 275	(1,091,919)	1,665,588	573,669
Other contingencies	<u>\$ 1,249,401</u>	<u>\$ 2,705,201</u>	<u>\$ 3,954,602</u>
Subtotal - Contingent on Other Bills	<u>\$ 11,299,578</u>	<u>\$ 6,838,812</u>	<u>\$ 18,138,390</u>
Net Change in HB2 General Fund/State Spec. Rev. Appropriations*	<u>\$ 8,403,331</u>	<u>\$ 11,451,834</u>	<u>\$ 19,855,165</u>
Expenditure limit adjustment:			
Vehicle license plate reissue, already included in expenditure limit			(4,546,058)
HB 667, premium assistance, excluded as it is designated tax relief			<u>(6,276,330)</u>
Net impact on expenditure limit calculation:			<u>\$ 9,032,777</u>

*A detailed list of Senate Finance Committee amendments by agency and section is on pages 15 and 16 of the Overview.

Figure 9 provides a summary of general fund and state special revenue fund amendments approved on the **House Floor**, which reduced appropriations \$56.1 million, including \$16.4 million general fund and \$39.7 million state special revenue. The most significant reductions were to:

- Eliminate or reduce \$30.5 million in contingency appropriations (over \$26.6 million are in natural resource programs)
- Eliminate \$4.1 million in duplicate appropriations
- Savings of \$4.2 million in HB 2 from deferral of the production of new vehicle license plates beyond the 2007 biennium (results in a net loss of general fund due to a loss of revenues from sales)
- \$4.2 million reduction in undesignated employment security account funds (Dept. of Labor)
- \$2.8 million reduction in funding for school facility payments.

Figure 9

House Floor Action - HB 2			
General Fund/State Special Revenue - By Section/Agency			
Section A	Gen. Fund	SSR	Exp. Limit
Consumer Counsel - reduce caseload contingency fund		\$ (61,292)	\$ (61,292)
Judiciary - Eliminate funds for Appellate Mediator, 1.5 FTE	\$ (218,159)		(218,159)
Judiciary - Reduce amount for Supreme Court Automation project	(250,000)		(250,000)
Governor's Office - Reduce mansion maintenance funds	(50,000)		(50,000)
Governor's Office - Reduce air transportation funds	(75,000)		(75,000)
Governor's Office - Remove Marketing MT/Business Recruitment Pgm funds	(600,000)		(600,000)
Governor's Office - Add funds for parachutes, air transportation program	3,200		3,200
Transportation - reduce funds for remote connectivity		(500,000)	(500,000)
Transportation - reduce funds for financial systems integration		(906,518)	(906,518)
Revenue - eliminate general fund to backfill costs formerly federal funded	(1,398,106)		(1,398,106)
Administration - Eliminate 1.0 FTE, Procurement Bureau	(110,505)		(110,505)
Administration - Reduce funds for emergency telecomm. Infrastructure	(600,000)		(600,000)
Section B			0
DPHHS - Remove duplicate approp to fund HB 552, raise asset limit	(2,200,000)	76,316	(2,123,684)
DPHHS - Increase state match for CHIP, fund switch from I-149 funds	2,200,000	(2,200,000)	0
DPHHS - Eliminate funds for 2nd deputy director position	(74,293)	(12,563)	(86,856)
DPHHS - Study of Vets long-term health care needs, from cig. Taxes		50,000	50,000
DPHHS - Reduce ESA funds in Disability Svcs. Div.		(422,500)	(422,500)
DPHHS - Eliminate funds for chemical dependency addiction/treatment	(1,000,000)		(1,000,000)
DPHHS - Eliminate pilot program for tribal peer counseling, smoking prev.	(60,000)		(60,000)
Section C			
DEQ - Elim. Funding for environmental study of Gallatin River		(250,000)	(250,000)
DEQ - Reduce contingency for reclamation work, forfeited hard rock bonds		(21,606,084)	(21,606,084)
DEQ - reduce contingency for orphan share funds in Remediation Division		(2,050,000)	(2,050,000)
DEQ - Reduce contingency for EIS costs from MEPA fees		(1,000,000)	(1,000,000)
FWP - agency-wide reductions to the general license account		(1,330,561)	(1,330,561)
Section D			
Justice - Remove funding for exempt staff pay raises	(67,888)	(45,782)	(113,670)
Justice - Remove 4.0 FTE in Inform. Tech Svcs Div. and Legal Svcs Div.	(516,459)		(516,459)
Justice - Remove funding for delivery of new license plates in 2007 bien.	(192,470)		(192,470)
Justice - Remove approp for Autom. Acctg./Reporting sys., gaming mach.	(1,100,000)	(340,000)	(1,440,000)
PSC - reduce contingency for consultant fees		(69,000)	(69,000)
Labor - Remove undesignated funding from employment security a/c funds		(4,200,000)	(4,200,000)
Corrections - remove funding for production of new license plates	(4,350,588)		(4,350,588)
Military Affairs - Liberty House Project	100,000		100,000
Military Affairs - Remove 1.0 FTE, Challenge program	(29,649)		(29,649)
Section E			
OPI - reduce amount for school facility payments	(2,800,000)		(2,800,000)
CHE - reduce administration program	(100,000)		(100,000)
CHE - Reduce funding from fee revenues for Motorcycle Safety Trng. Pgm		(80,000)	(80,000)
Historical Society - Elim. Double approp for projects from lodging tax funds		(847,265)	(847,265)
Net Change in HB2 General Fund/State Spec. Rev. Appropriations	\$ (13,489,917)	\$ (35,795,249)	\$ (49,285,166)
Language Appropriations			
Governor's Office - Eliminate contingency for gas/electric rate increases	(1,700,000)	(920,000)	(2,620,000)
Governor's Office - Elim. contingency for workers' comp. rate increases	(500,000)	(500,000)	(1,000,000)
Administration - Elim. duplicate approp for highway patrol retirement costs	(700,000)		(700,000)
Consensus Council - Eliminate contingency approp for higher caseload		(100,000)	(100,000)
DNRC - Water Resources Div., hydropower earnings/Broadwater accounts		(1,500,000)	(1,500,000)
DNRC - Reduce coal bed methane emergency payments contingency		(500,000)	(500,000)
Historical Society - Elim. double approp from lodging tax funds, language	0	(388,299)	(388,299)
Net Change in Language Appropriations	\$ (2,900,000)	\$ (3,908,299)	\$ (6,808,299)
Total Change in General Fund/State Special Rev.	\$ (16,389,917)	\$ (39,703,548)	\$ (56,093,465)

Figure 10 provides a summary of general fund and state special revenue fund amendments (to joint subcommittees action) by the **House Appropriations Committee**, which reduced general fund appropriations a net \$35,000, and reduced state special revenue appropriations \$479,000. The most significant adjustments were a general fund decrease of \$2.1 million for corrections secure facilities program expansions, and a \$1.9 million increase for distribution to schools to reflect revised estimates for ANB and interest and income in the guarantee account.

Figure 10

House Appropriations Committee Action - HB 2			
General Fund/State Special Revenue - By Section/Agency			
Statewide	Gen. Fund	SSR	Exp. Limit
Technical amendments to reflect subcommittee action	\$ 36,215	(\$504,434)	\$ (468,219)
Section A			
Judiciary - Accelerate water adjudication (HB22)		833,380	833,380
Appellate Defender workload impacts (HB392)	140,410		140,410
Section B			
None			
Section C			
FWP - Reduce Sheep Auction Commission funds		(28,000)	(28,000)
DEQ - Air quality permitting of oil/gas wells		(763,250)	(763,250)
DNRC - Reduction for salinity control funds from coal tax shared account		(16,500)	(16,500)
Section D			
Corrections - Reduce Secure Facilities Program	(2,075,736)		(2,075,736)
Section E			
OPI - Base Aid incr. for revised estimates of ANB, I&I in guarantee account	1,864,248		1,864,248
Net Change in General Fund/State Spec. Rev. Appropriations	\$ (34,863)	(\$478,804)	\$ (513,667)

LEGISLATIVE ACTION TO DATE – COMPARISON TO BASE

Figure 11 provides a general fund summary of the cumulative actions taken by the legislature from original joint appropriations subcommittee action through Senate Floor action on HB 2. Status is shown by subcommittee section and agency, for general fund only, as compared to the 2004 base year. A comparison is made to the 2004 base because this is the base from which the legislature determines budgets in the 2007 biennium. Please note, however, that this base-year-only comparison overstates changes from the total 2005 biennium, which is the statutorily required base for legislative comparisons (see the graphs on pages 2 through 5 for a biennial comparison).

As shown in Figure 11, the total general fund increase over the base year is \$327 million, which includes \$182 million present law adjustments and \$145 million new proposals.

The most significant general fund increases over the base budget are summarized as follows:

- DPHHS increases of \$121 million for Medicaid matching rate, caseloads and service changes, and institutional facility costs (overtime, utilities, provider rates, etc.)
- K-12 education increases of \$85 million for Base Aid (including 3-year averaging), special education, facilities payments, and Indian Education for All
- Corrections increases of \$32 million for an expanding prison population (including expanded secure care facilities), increased prisoner per diem rates, and additional probation and parole officers, and production of new issue vehicle license plates
- Montana University System enrollments, student assistance increases, and increased general fund support of certain standard budget adjustments of \$19 million

- Increased cost of district court assumption/public defender program
- Statewide present law adjustments for fixed costs and personal services
- Computer systems updates/completion/replacements in Department of Revenue and statewide
- Emergency telecommunications

Figure 11

Senate Floor Recommendation Compared to the Base General Fund				
Sub-Committee	Agency	Base Times 2	Senate Floor 2007 Biennium	Change
01 General Government & Transportation		150,904,764	196,430,585	45,525,821
	1104 Legislative Branch	14,110,370	16,459,144	2,348,774
	2110 Judicial Branch	62,062,556	67,073,008	5,010,452
	3101 Governor'S Office	8,453,340	11,089,124	2,635,784
	3202 Commissioner Of Political Practices	618,634	713,539	94,905
	3401 State Auditor'S Office	-	-	-
	5801 Department Of Revenue	58,558,718	75,159,156	16,600,438
	6101 Department Of Administration	6,727,916	11,197,488	4,469,572
	6102 Appellate Defender	373,230	3,819	(369,411)
	6106 Mt Consensus Council		137,869	137,869
	6108 Office Of The Public Defender		14,597,438	14,597,438
02 Health & Human Services		496,897,178	617,867,716	120,970,538
	6901 Dept Of Public Health & Human Services	496,897,178	617,867,716	120,970,538
03 Natural Resources & Commerce		45,128,044	57,123,089	11,995,045
	5301 Department Of Environmental Quality	6,107,488	8,481,596	2,374,108
	5603 Department Of Livestock	1,042,606	1,187,710	145,104
	5706 Dept Of Natural Resources & Conservatio	33,651,058	38,075,957	4,424,899
	6201 Department Of Agriculture	1,196,270	1,527,390	331,120
	6501 Department Of Commerce	3,130,622	7,850,436	4,719,814
04 Corrections & Public Safety		258,815,456	299,243,691	40,428,235
	4107 Crime Control Division	3,247,504	3,437,597	190,093
	4110 Department Of Justice	36,995,212	43,489,453	6,494,241
	4201 Public Service Regulation		-	-
	6401 Department Of Corrections	208,038,574	239,754,077	31,715,503
	6602 Department Of Labor & Industry	2,311,050	3,249,273	938,223
	6701 Department Of Military Affairs	8,223,116	9,313,291	1,090,175
05 Education		1,323,826,880	1,431,774,062	107,947,182
	3501 Office Of Public Instruction	1,028,170,122	1,113,394,009	85,223,887
	5101 Board Of Public Education	282,618	332,640	50,022
	5102 Commissioner Of Higher Education	281,557,406	301,116,500	19,559,094
	5113 School For The Deaf & Blind	6,817,786	8,713,167	1,895,381
	5114 Montana Arts Council	572,500	797,261	224,761
	5115 Montana State Library	2,995,612	3,407,572	411,960
	5117 Montana Historical Society	3,430,836	4,012,913	582,077
Grand Total		2,275,572,322	2,602,439,143	326,866,821

COMPARISON TO THE EXECUTIVE

Figure 12 compares the current HB 2 general fund appropriations to the executive budget and to the 2004 base budget. For the purposes of this comparison, the executive budget is the final printed budget submitted by the Governor in early January.

As shown in Figure 12, HB 2 action through the Senate Floor is \$25.5 million general fund above the proposed executive budget.

The largest general fund differences between the Executive Budget and HB 2 occur in the following areas:

- The Office of Public Instruction (\$15.4 million higher) includes \$13.9 million to allow school districts to use the higher of current student count or the average count for the prior three years in determining Base Aid. It also includes an additional \$1.4 million for Indian Education for All (the original executive budget included \$2.0 million), a net \$1.9 million for revised estimates of ANB in FY2006 and interest and income in the guarantee account, and a \$2.0 million increase in retirement GTB related to a court decision. This is partially offset by not adopting other minor proposals requested by the executive. This brings the total 2007 biennium general fund increase over the 2004 base to \$85.2 million.
- The new Office of the State Public Defender (\$14.6 million higher) was not included in the executive proposal, although the majority of the increase is from a transfer of functions and funding from other agencies (primarily Judiciary, see directly below), and new funding in HB 2 is \$6.2 million. The new agency is a result of an interim legislative study that crafted SB 146 to create the statewide function.
- The Judiciary (\$7.5 million lower) is primarily due to the transfer of \$7.9 million from the Judiciary budget for duties that have been reassigned to the new Office of State Public Defender in SB 146.
- The Department of Public Health and Human Services (\$4.0 million higher), is primarily due to legislative initiatives for direct care worker wage increases, provider rate increases, various service and eligibility enhancements, and a fund switch to support TANF benefit increases, primarily in child care. The legislature also reduced the executive recommendation for the Low Income Energy Assistance Program (LIEAP) in HB 2 by \$7.0 million.
- The Department of Corrections (\$5.0 million higher) is primarily due to additional funding to expand secure care facilities. The budget provides the same general prisoner bed increase as the Governor's proposal in recognition that adult male prison population projections are beyond the capability of current secure care facilities. However, the legislature rejected the Governor's original proposal to expand the privately owned prison facility in Shelby, and opted instead to increase pre-release facility beds and an expansion at the Montana State Prison. This option is more expensive in the short term than the Shelby expansion proposal. Part of the increase is also due to approval of per diem increases for private, regional, and pre-release centers.
- Department of Revenue (\$2.3 million lower) is primarily due to: 1) funding a \$1.4 million executive request for an agricultural/forest land classification system at a lower \$0.6 million; and 2) non-inclusion in HB 2 of \$2.1 million to pay off a computer system loan (it is being requested instead as a supplemental appropriation for FY 2005 in HB 745).
- Commissioner of Higher Education (\$2.2 million lower) is due to: 1) approving a scholarship program at \$3.5 million less than originally requested by the Governor (\$1.5 million remains in the budget); 2) reducing the executive request for equipment for 2 year programs by \$0.5 million (\$4.5 million remains in the budget); and 3) adoption of adoption of \$1.7 million not included in the executive request for community college special assistance, distance learning, and need-based student financial aid (MHEG program).

- The Department of Environmental Quality (\$1.7 million lower) is due to non-approval of a \$2.0 million executive request for a hazardous waste study, and approval of \$0.3 million to implement HB 60 (clean-up standards for meth labs) that was not included in the executive request.

Figure 12

Senate Floor Recommendation Compared to the Executive Budget General Fund				
Sub-Committee	Agency	Executive 2007 Biennium	Senate Floor 2007 Biennium	Change
01 General Government & Transportation		194,436,420	196,430,585	1,994,165
	1104 Legislative Branch	16,756,076	16,459,144	(296,932)
	2110 Judicial Branch	74,576,143	67,073,008	(7,503,135)
	3101 Governor'S Office	12,701,495	11,089,124	(1,612,371)
	3202 Commissioner Of Political Practices	647,698	713,539	65,841
	3401 State Auditor'S Office	-	-	-
	5801 Department Of Revenue	77,449,399	75,159,156	(2,290,243)
	6101 Department Of Administration	11,907,993	11,197,488	(710,505)
	6102 Appellate Defender	397,616	3,819	(393,797)
	6106 Mt Consensus Council	-	137,869	137,869
	6108 Office Of The Public Defender	-	14,597,438	14,597,438
02 Health & Human Services		613,910,646	617,867,716	3,957,070
	6901 Dept Of Public Health & Human Services	613,910,646	617,867,716	3,957,070
03 Natural Resources & Commerce		58,520,334	57,123,089	(1,397,245)
	5301 Department Of Environmental Quality	10,226,437	8,481,596	(1,744,841)
	5603 Department Of Livestock	1,137,710	1,187,710	50,000
	5706 Dept Of Natural Resources & Conservatic	36,716,695	38,075,957	1,359,262
	6201 Department Of Agriculture	1,189,056	1,527,390	338,334
	6501 Department Of Commerce	9,250,436	7,850,436	(1,400,000)
04 Corrections & Public Safety		292,117,796	299,243,691	7,125,895
	4107 Crime Control Division	3,437,597	3,437,597	-
	4110 Department Of Justice	40,978,771	43,489,453	2,510,682
	4201 Public Service Regulation	-	-	-
	6401 Department Of Corrections	234,784,069	239,754,077	4,970,008
	6602 Department Of Labor & Industry	3,674,419	3,249,273	(425,146)
	6701 Department Of Military Affairs	9,242,940	9,313,291	70,351
05 Education		1,417,951,143	1,431,774,062	13,822,919
	3501 Office Of Public Instruction	1,097,967,922	1,113,394,009	15,426,087
	5101 Board Of Public Education	332,640	332,640	-
	5102 Commissioner Of Higher Education	303,346,748	301,116,500	(2,230,248)
	5113 School For The Deaf & Blind	8,436,967	8,713,167	276,200
	5114 Montana Arts Council	647,261	797,261	150,000
	5115 Montana State Library	3,407,572	3,407,572	-
	5117 Montana Historical Society	3,812,033	4,012,913	200,880
Grand Total		2,576,936,339	2,602,439,143	25,502,804



HB 2 NARRATIVE OVERVIEW FOR THE FREE CONFERENCE COMMITTEE

PURPOSE AND FORMAT

The HB 2 narrative is an agency-by-agency, program-by-program summary of 2007 biennium appropriations in HB 2. Its purpose is to provide a resource to aid legislators in taking action on HB 2 by providing an explanation of the appropriations included in the bill. The narrative reflects action through the Senate Floor.

The narrative for each agency begins with an agency summary table comparing total appropriations for the 2007 biennium, including both present law adjustments and new proposals, to the FY 2004 base budget. (Present law adjustments are those adjustments to the base necessary to maintain operations under current law. New proposals are to fund new activities, reductions in existing services, or expansions not currently conducted by the agency.) Following the agency table is a reference to the pages in the LFD Budget Analysis in which the agency is discussed in more detail. If the analyst felt a global perspective was needed, or a major budget area highlighted, it is included in the agency presentation at the beginning of the agency narrative.

The agency section of the narrative also includes a table comparing HB 2 to the Executive Budget request, as well as an explanation of significant differences. Agency highlights are included in a table, followed by further discussion if warranted, and a table summarizing funding, by program. This section ends with a discussion of any agency-wide language included in HB 2, as well as any agency-wide issues.

Explanations of the changes in appropriations from the base for each program within the agency follow. These sections begin with a program summary table showing the base budget, all present law adjustments, new proposals, and the total legislative budget. Also included is a summary of program funding. A table showing major present law adjustments, and an explanation of those adjustments, follows. A table and explanation outlining all new proposals (if any) follow the present law adjustments section. Finally, a section for language included in HB 2 and for other issues, as applicable, is included.

PRESENT LAW ADJUSTMENTS TABLE

The present law adjustments table shows current level changes from base expenditures that have been approved by the legislature. As such, the table includes both positive and negative entries, depending upon whether the legislature is appropriating more or fewer funds than were expended in FY 2004. The reader should keep the following in mind when examining this table:

- Because the adjustments represent changes from the base, the entry in the table does not necessarily represent all recommended appropriations for the stated purpose. The table will not indicate any expenditures for the same purpose carried forward in the base. For example, if the agency expended \$1,000 for supplies in the base year of FY 2004, and is requesting an additional \$500 per year, the present law table will show a yearly adjustment of \$500, rather than the total request for supplies of \$1,500.
- The table only includes present law adjustments, while new proposals may include additional or less funding for a similar purpose. For example, the present law table may indicate a reduction in equipment from the level expended in FY 2004. However, additional equipment may be included in a new proposal.

STATEWIDE PRESENT LAW ADJUSTMENTS

Most present law tables include one or several “statewide present law adjustments”. Statewide adjustments are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency’s control; or 2) other underlying factors. In the 2007 biennium, these adjustments are identified as: 1) inflation; 2) fixed costs (which are those costs charged to agencies to fund the operations of certain centralized service functions of state government, such as data network fees, messenger services, and legislative audit); 3) full funding of personal services. (There are a number of reasons why personal services will change, including vacancy savings in the base year, upgrades/downgrades, elimination of termination pay, and annualization of the pay plan implemented by the 2003 Legislature.); and 4) vacancy savings. A 4 percent vacancy savings on most positions is generally included in statewide and other present law adjustments.

Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the “statewide” section of the present law table to alert decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. In a joint meeting at the beginning of the legislative session, the Senate Finance and House Appropriations Committees agreed that these adjustments would be made. However, ultimate discretion was left to the legislature to address specific adjustments in specific programs. The LFD analyst has noted if the legislature has taken action that constitutes less than full funding of these adjustments.

PROPRIETARY FUNDS

Proprietary funds are those funds collected in return for the provision of a service or product, i.e. the provision of computer services to agencies of state government, or services for which a fee is charged, such as legal services. Proprietary funds consist of internal service funds (for operations that provide goods or services to state government on a cost-reimbursement basis) and enterprise funds (for operations that provide goods or services to the public on a user charge basis). HB 576, passed by the 1995 Legislature, removed the requirement that most proprietary funds be appropriated. Instead, the legislature required that internal service fund rates be approved by the legislature, above which the agencies may not adjust during the interim. Enterprise fund rates do not require legislative approval. The Office of Budget and Program Planning (OBPP) must include an analysis of the rates, fund balances, and fund equity in the executive budget.

The following narrative includes all rates approved by the legislature for those programs funded with internal service funds, as well as short descriptions of the primary reasons for any changes in rates approved. The discussions are included within the relevant programs within agencies. The approved rates are also listed in HB 2 (section R) to meet the statutory requirement that the rates be approved in the general appropriation act.

ADDENDUM

Figure 13 below provides a detailed list of Senate Finance Committee amendments to HB2 by agency and section, as an addendum to the summary list provided in Figure 8.

Figure 13

Senate Finance Committee Action - HB2			
General Fund/State Special Revenue - By Section/Agency			
Section A	Gen. Fund	SSR	Exp. Limit
Legislative Branch - eliminate all new initiatives/assess vacancy savings	\$ (439,826)	\$ (112,369)	\$ (552,195)
Legislative Branch - provide funding for interim school funding study	200,000		200,000
Consumer Counsel - restore caseload contingency fund		61,292	61,292
Judiciary - tfr funds, establish Office of State Public Defender, SB 146	(7,927,652)		(7,927,652)
Judiciary - reduce funding for Dist. Court Operations to executive level	\$ (223,822)		(223,822)
Judiciary - fund court autom. pgm from gen. fund vice state special, HB 536	2,932,742	(2,737,421)	195,321
Judiciary - add district court judge in Gallatin County, SB 8	428,092		428,092
Judiciary - fund SB 355, payment of transcript fees	10,000		10,000
Judiciary - fund SB 406, civil assist for indigent victims of domestic violence		54,900	54,900
Governor's Office - restore mansion maintenance funds at subc. Level	50,000		50,000
Governor's Office - restore air transportation funds at subcommittee level	71,800		71,800
Governor's Office - restore Marketing MT/business recruitment pgm funds	600,000		600,000
Governor's Office - expand duties of Mental Health Ombudsman, SB 385	66,868		66,868
State Auditor - transfer I-149 funds from DPHHS to impl. HB 667		15,690,826	15,690,826
Transportation - funds to implement HB 55, regist. of trlrs/semi-trlr fleets		10,000	10,000
Transportation - move MCSAP from Justice to Motor Carrier Svcs. - SB 459		287,835	287,835
Transportation - transfer fleet veh. registr. From MDT to Justice, HB 87		(14,696)	(14,696)
Transportation - rehab of railroad branch lines, HB 757		406,467	406,467
Transportation - technical correction		35,565	35,565
Revenue - transfer funds for added compliance auditors from PHHS to DOR	1,120,000		1,120,000
Revenue - restore general fund to backfill fixed costs formerly federal funded	1,398,106		1,398,106
Revenue - funds for Agriculture/Forest Land Reappraisal program	570,663		570,663
Administration - funds for SB 98, Montana Land Informaion Act		2,100,000	2,100,000
Administration - implement SB 274, Mortgage Broker Act		114,490	114,490
Appellate Def. - tfr funds, establish Office of State Public Defender, SB 146	(410,291)		(410,291)
Appellate Defender - eliminate funds for HB 392 post-conviction appeals	(140,410)		(140,410)
State Public Defender - SB 146, tfr funds to create ofc., from Corr., Jud., AD	14,597,438		14,597,438
Section B			0
DPHHS - transfer funds for added compliance auditors from DPHHS to DOR	(1,120,000)		(1,120,000)
DPHHS - reduce funding for low-income energy assistance	(3,000,000)		(3,000,000)
DPHHS - funds HB 749, nursing home bed taxes	121,212		121,212
DPHHS - fund switch for child care, contingent on HB 749, SB 82	(100,000)	100,000	0
DPHHS - reduce general fund support for food banks	(200,000)		(200,000)
DPHHS - reduce general fund for medicaid match due to savings	(500,000)		(500,000)
DPHHS - restore pilot program for tribal peer counseling, smoking prev.	60,000		60,000
DPHHS - delay expenditures from I-149 revenue, no total approp. Impact	0		0
DPHHS - fund SB 85, tax check-off for End Stage, Renal Disease		48,000	48,000
DPHHS - fund SB 275, voluntary genetics program, shift funding	(1,091,919)	1,665,588	573,669
DPHHS - tfr I-149 funds to St. Aud. to impl. HB 667, reallocate I-149 funds	0	(15,685,697)	(15,685,697)

Figure 13
Continued

Senate Finance Committee Action - HB2 (continued) General Fund/State Special Revenue - By Section/Agency			
Section C	<u>Gen. Fund</u>	<u>SSR</u>	<u>Exp. Limit</u>
DEQ - restore funding for environmental study of Gallatin River		150,000	150,000
DEQ - funds to implement SB 489, remedial investigation		1,500,000	1,500,000
DEQ - funds to implement HB 60, cleanup standards on meth labs	255,159		255,159
DNRC - eliminate funds for initial attach wildfire management	(1,200,000)		(1,200,000)
FWP - funds to implement HB 707, compensation for FWP license agents		182,200	182,200
FWP - funds to implement SB 318, registration/licensing for quadricycles		105,862	105,862
FWP - funds to implement HB 235, hunter access enhancement program		732,549	732,549
FWP - funds to implement HB 56, landowner pmts for fishing on priv. prop.		50,000	50,000
FWP - technical adjustment		(20)	(20)
FWP - partially restore House reductions to the general license account		678,026	678,026
Livestock - fund switch for Diagnostic Lab for public health testing	(300,000)	300,000	0
Commerce - funds for HB 481, Main Street Program	250,000		250,000
Commerce - reduce funds for workforce training program	(1,200,000)		(1,200,000)
Commerce - reduce funding for Made in Montana program	(200,000)		(200,000)
Section D			
Justice - implement remainder of criminal history and ID systems		250,000	250,000
Justice - transfer fleet veh. registr. From MDT to Justice, HB 87		14,696	14,696
Justice - funds to implement SB 285, revising motor vehicle laws	92,650		92,650
Justice - restore funding for delivery of new license plates in 2007 bien.	192,470		192,470
Justice - funds to install Autom. Acctg./Reporting sys., gaming mach.		1,065,000	1,065,000
Bd. Crime Control - implement HB 476, domestic violence intervention		186,966	186,966
Labor - implement HB 203, add board members (athletics/accountants)		52,000	52,000
Labor - added staffing in local workforce centers, training for small business		1,506,056	1,506,056
Labor - funds to implement HB 406, country of origin placarding		53,568	53,568
Labor - funds to implement SB 108, independent contractor registration		1,605,444	1,605,444
Labor - funds to implement SB 412, elevator regulation		85,390	85,390
Corrections - tfr funds, establish Office of State Public Defender, SB 146	(50,141)		(50,141)
Corrections - utilize parental contrib. for costs of care for adjudicated youths		540,608	540,608
Corrections - restore funding for production of new license plates	4,350,588		4,350,588
Corrections - move \$3 mil. from Delinq. Interv. to Secure Fac./add funding	140,410		140,410
Corrections - funds to implement HB 288, collection of supervisory fees		234,974	234,974
Corrections - implement SB 426, security of electronic youth records	20,000		20,000
Section E			
OPI - state retirement GTB, due to court decision - SB 333	2,000,000		2,000,000
OPI - funds to implement HB 359, changing ANB count calculation	(156,712)		(156,712)
OPI - funds to implement SB 383, stipend for speech-language pathologists	129,000		129,000
OPI - eliminate 2 curriculum specialist positions	(347,765)		(347,765)
CHE - reduce funds for eqpt/program devel. for 2 year degree programs	(539,322)		(539,322)
CHE - reduce funding for Governor's scholarship program by one-half	(1,530,000)		(1,530,000)
CHE - eliminate funds for new Meagher County Extension agent position	(70,206)		(70,206)
CHE - elim. funds for FTE, Ag Exp./Extension/Experiment, B. Mines, FSTS	(856,681)		(856,681)
CHE - transfer funds for Bur. Mines Groundwater Pgm to state special a/c		133,735	133,735
Historical Society - add 2 FTE state records archivists	200,880		200,880
Arts Council - restore reductions made last session	150,000		150,000
Net Change in HB2 General Fund/State Spec. Rev. Appropriations	\$ 8,403,331	\$ 11,451,834	\$ 19,855,165
Expenditure limit adjustment:			
Vehicle license plate reissue, already included in expenditure limit			(4,546,058)
HB 667, premium assistance, excluded as it is designated tax relief			(6,276,330)
Net impact on expenditure limit calculation:			\$ 9,032,777